Industry in Focus

Student accommodation: Availability and rental growth trends

Addendum – December 2023

Foreword

In July of this year[1] we took stock of price and availability across our UK Purpose-Built Student Accommodation (PBSA) industry, reflecting on an academic cycle (22/23) that was proving both challenging and strong simultaneously. In this paper we update that view, looking at how those patterns changed into the final few weeks of the cycle (August/September 2023) and what that might mean for rent setting this academic year and on into this year's cycle.

As we recognised in our paper released in July 2023 whilst many of the long-term challenges for operators remain, the environment in which they are experiencing them at the moment is unique. This spans balancing supply and demand at a time where more stringent planning and regulations have been introduced, construction costs have soared, there is both a higher bar and higher desire for safety and sustainability, and debt servicing costs have experienced a sharp rise. Constraints on university capital budgets in addition to the contraction in the House of Multiple Occupancy (HMO) market due to the exit of many private landlords are also impeding the supply of student beds in the UK.

With all of this in mind, back in July it felt like the final months of the cycle should be relatively easy to predict. It is fair to say that things did progress as we largely expected but with a few notable exceptions:

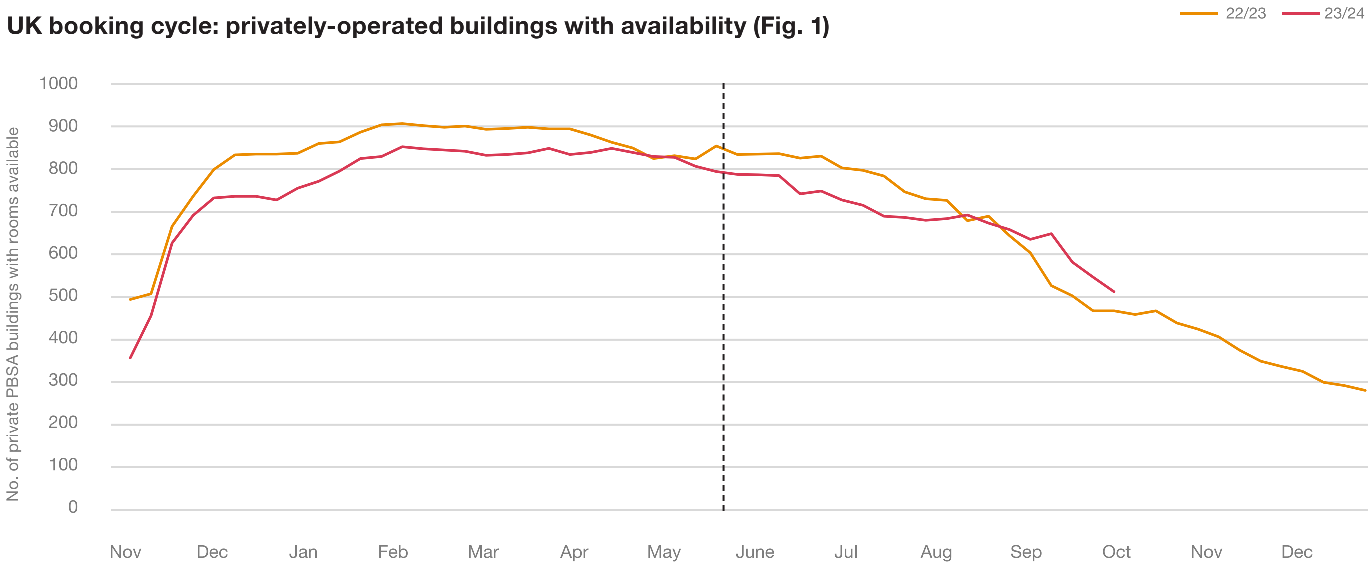
- The timing of when tenancies were released to the market differed significantly in some cities across the 23/24 cycle compared to previous cycles.
- A number of operators experienced late-season fluctuations in occupancy levels which may have been caused by late cancellations and subsequent re-sale.

So how do we respond to these booking trends when rent setting this cycle? What could and should the sector be doing to ensure stability, success and student experience can all be celebrated in equal measure?

1 Student accommodation: Availability and rental growth trends July 2023

Booking behaviour and availability for the 2023/24 academic year

UK booking cycle: privately-operated buildings with availability (Fig. 1)



Source: StudentCrowd. For the purpose of this analysis, 1 November is assumed to be the start of a booking cycle. From this date, tracking is undertaken on a weekly basis, from 1 November 2021 until 1 Oct 2023 to show the number of privately-operated PBSA buildings that have at least one room available that students can book for the following academic year.

There are numerous factors impacting the number of buildings with availability, including

- The number of students that require accommodation,
- The number of buildings,
- The timing of beds being released to the market, and
- The pace at which students commit to leasing a room.

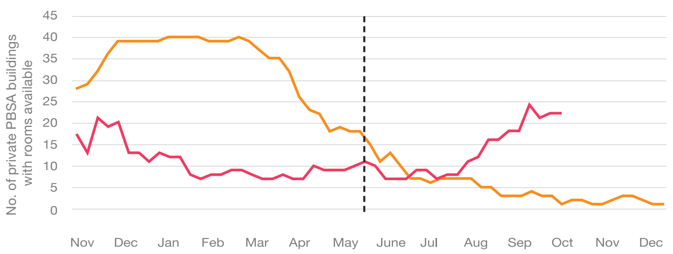
On a national basis, Figure 1 shows that bookings for 2023/24 academic year (AY) were ahead of those for 2022/23 AY up until August 2023 (with the exception of a few weeks around May 2023 when levels were comparable to the same time last year). For the month of August, levels were also comparable to the same time last year, whilst this changed in September where the levels of availability for 2023/24 AY appear higher than for 2022/23 AY.

Student perspective

If you were a student seeking accommodation for the next AY, the following graphics show the choice of buildings available in each location throughout the booking cycle.

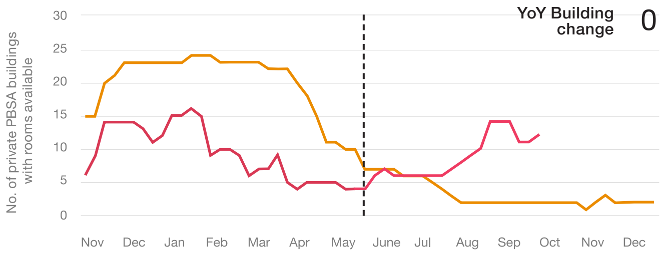
Glasgow (Fig. 2)

YoY Building change ↑1



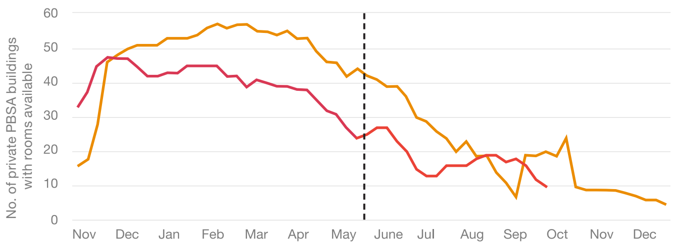
Southampton (Fig. 3)

22/23 23/24



Manchester (Fig. 4)

YoY Building change ↓2



(Figures 2 - 4) Source: StudentCrowd. For the purpose of this analysis, 1 November is assumed to be the start of a booking cycle. From this date, tracking is undertaken on a weekly basis, from 1 November 2021 until 1 Oct 2023 to show the number of privately-operated PBSA buildings that have at least one room available that students can book for the following academic year.

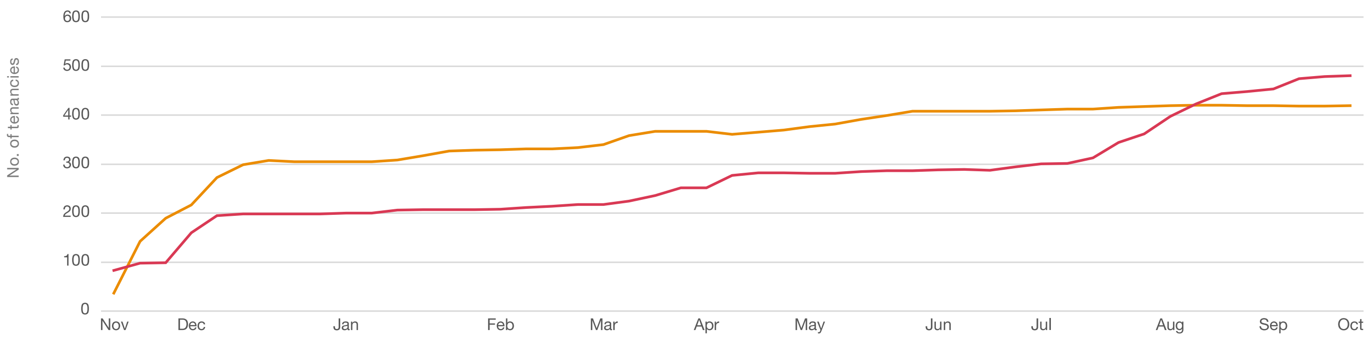
So what happened?

In July of this year we demonstrated how Glasgow, Southampton and Manchester had fewer buildings available to book as at May 2023 compared to May 2022. The graphs on the previous page show how these cities performed up until the end of the 2022/23 AY (as at 1st October 2023).

For Glasgow and Southampton the variance in availability (Figures 2 and 3 above) was substantial until the summer months (June – August) as the red line shows the number of buildings with availability increases from June onwards and from the start of August to the end of September the number of buildings with available rooms was higher than 2022/23 AY. One factor causing this could be that tenancies are being released later in the cycle than previously, either intentionally as part of an operator's strategy or unintentionally, caused by late cancellations or other market changes that required a response. It is clear to see that the pattern of tenancy releases in Glasgow and Southampton (Figures 5 and 6) has changed from the last cycle to this.

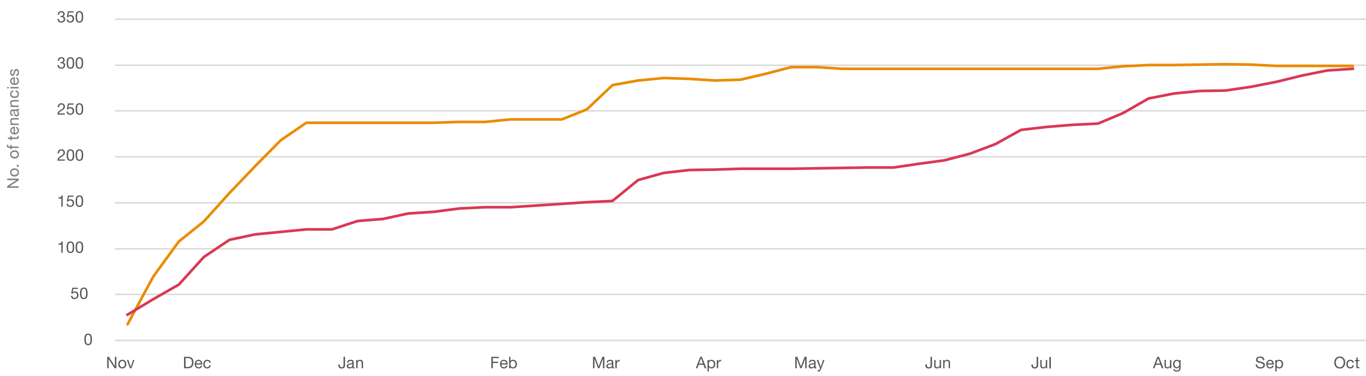
Glasgow tenancy releases (Fig. 5)

22/23 23/24



Southampton tenancy releases (Fig. 6)

22/23 23/24



(Figures 5 & 6) Source: StudentCrowd. For the purpose of this analysis, 1 November is assumed to be the start of a booking cycle. From this date, tracking is undertaken on a weekly basis (until 1 Oct 2023) to show the number of tenancies cumulatively released across the timeframe that students can book for the following academic year.

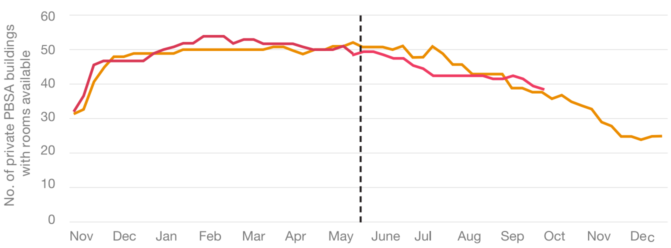
This change will have impacted students' ability to find and book rooms, and could start to suggest a decoupling of 'rebooker' (second and third-year tenancies) and those intended for prospective students.

Another factor that could be contributing to booking behaviour changes in Glasgow and Southampton is the number of students seeking accommodation. UK wide, the Universities and Colleges Admissions Service (UCAS)[2] shows a slight drop (1.8%) in the number of 18 year old acceptances for September 2023 compared to 2022. However, this is only a small piece of the jigsaw and until both UCAS end of cycle figures and the Higher Education Statistics Agency (HESA) student number data for the respective years are released, it is difficult to speculate on what the total number of students seeking accommodation was.

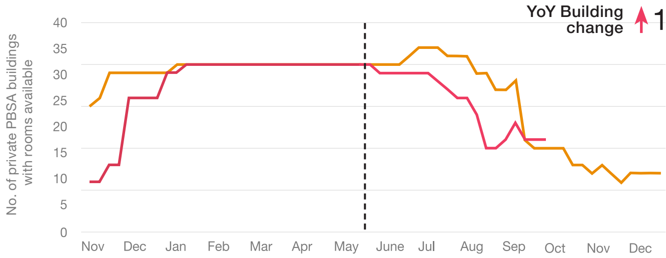
In addition to student recruitment, other factors such as changes in the proportion of students choosing to commute or choosing alternative accommodation should be taken into consideration, albeit we would not expect this change to be material for 2023/24 AY.

Our previous report discussed, at length, many elements that impact student demand pools including the introduction of visa restrictions due in January 2024 and affordability.

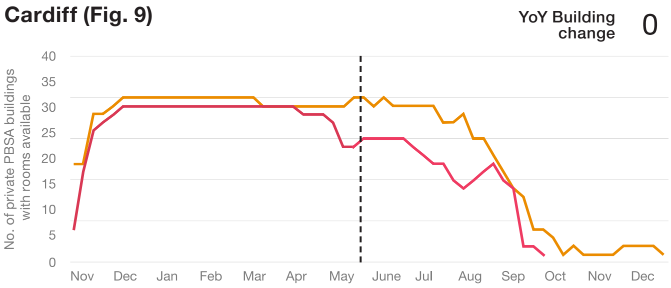
Sheffield (Fig. 7)



Aberdeen (Fig. 8)



Cardiff (Fig. 9)

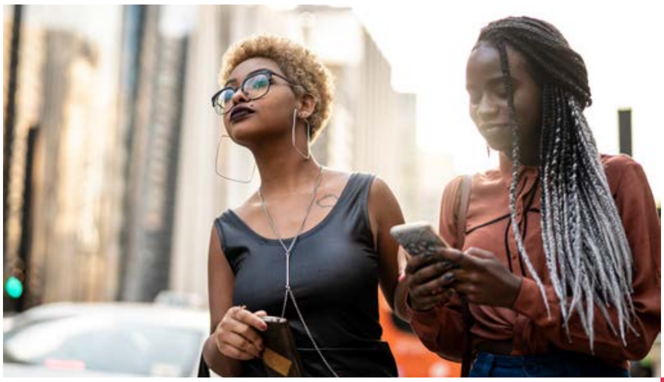


(Figures 7 - 9) Source: StudentCrowd. For the purpose of this analysis, 1 November is assumed to be the start of a booking cycle. From this date, tracking is undertaken on a weekly basis, from 1 November 2021 until 1 Oct 2023 to show the number of privately-operated PBSA buildings that have at least one room available that students can book for the following academic year.

In May 2023, Sheffield, Aberdeen and Cardiff were showing availability levels that were tracking relatively close to the prior year (2022/23 AY). Sheffield is an example of a city where this trend has continued through to October 2023.

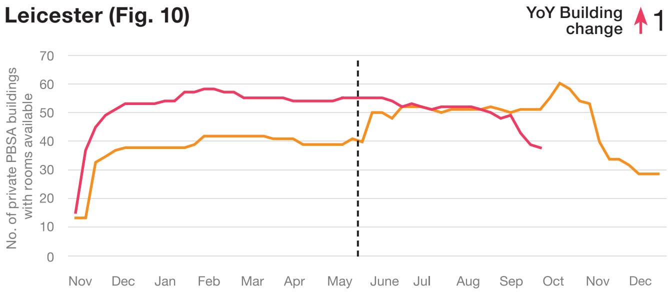
In contrast Aberdeen and Cardiff saw divergence from the prior year booking pattern between May and mid August 2023. In these cities the number of buildings with availability was materially lower than 2022/23 AY. From mid-August Aberdeen then rises again, indicating that there were more tenancies being released to the market, in order to fulfil demand through the clearing process and/or having to remarket cancelled rooms.

That said, by October 2023 Aberdeen had similar levels of availability to 2022/23 AY. Cardiff experienced a similar increase in available buildings between mid-August and September and then reduced to negligible levels by October 2023.

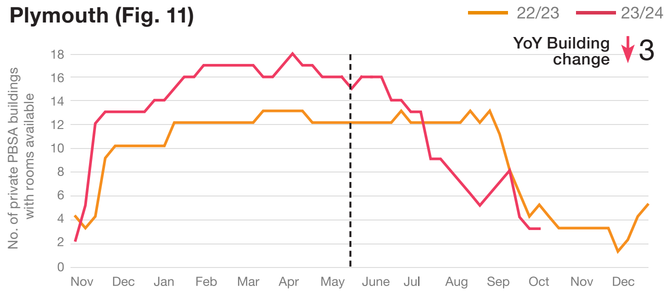


2 UCAS: News & Insights, September 2023

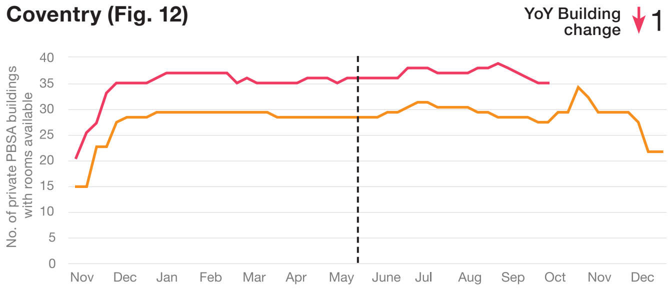
Leicester (Fig. 10)



Plymouth (Fig. 11)



Coventry (Fig. 12)



(Figures 10 - 12) Source: StudentCrowd. For the purpose of this analysis, 1 November is assumed to be the start of a booking cycle. From this date, tracking is undertaken on a weekly basis, from 1 November 2021 until 1 Oct 2023 to show the number of privately-operated PBSA buildings that have at least one room available that students can book for the following academic year.

Despite availability tracking higher than 2022/23 AY levels in Leicester up until July 2023, the trend reversed during September 2023 and by October, Leicester was in a position where the number of available buildings was lower than in 2022/23 AY.

Coventry is an example of a city where the number of buildings with availability has been higher throughout the year to October 2023.

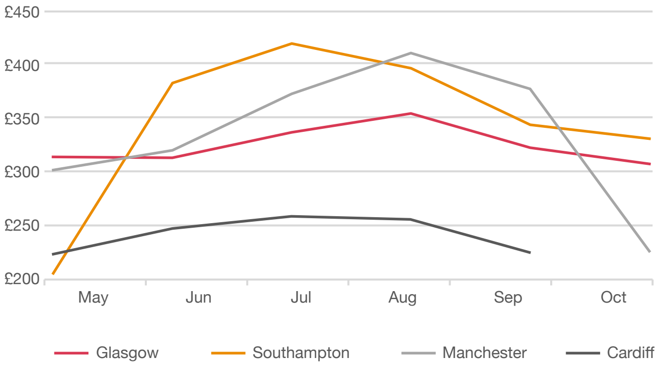
As at May 2023, the levels of availability in Plymouth appeared to be higher for 2023/24 AY compared to 2022/23 AY, however this directional trend changed from July 2023 when the buildings available tracked below last year with fewer buildings with rooms available to book compared to 2022/23 AY.

So, what does this mean for the rent-setting season?

The rise in tenancy releases towards the end of the cycle (see Figures 5 and 6) correlates with a rise in prices. Using Southampton as an example, the average minimum price per week[3] increased from £212 from the start of May 2023 to £288 at the end of September 2023 (+£76 p/w increase), making access for some students over confirmation and clearing less easy.

Average minimum weekly rents for unbooked rooms peaked between 1 July and 1 August 2023 in all of the four cities profiled in Figure 13. Using Southampton as an example, the average minimum weekly rents for unbooked rooms fell from a peak of £419 p/wk at 1 July 2023 to £343 p/wk as at 1 October 2023. To what extent does the increase in availability in the booking cycle (Figure 3) from July 2023 in addition to the drop off in pricing indicate an end of cycle price ceiling in Southampton.

Average minimum weekly rents for unbooked rooms in selected cities (Fig. 13)



Source: StudentCrowd

3 Both across booked and unbooked rooms.

Should more cities opt for staggered release of tenancies to ensure accessibility throughout the cycle?

Our previous report highlighted that at crucial points in the decision making cycle availability looked particularly low, which may have impacted students' ability to book rooms, and limited their choice of tenancy. This is not ideal from a student booking perspective. How could this be better managed to ensure continual release of availability without creating bottlenecks or an unnecessary sense of shortages?

Students also have a part to play. There is a recognition that some students could be holding contracts for multiple rooms, sometimes in multiple cities. Whilst this gives the student choice, some consideration is needed by operators to mitigate or manage this booking behaviour. This could be a variety of approaches such as:

- The reintroduction of holding-fees at enquiry and/or deposits at booking stages or checks and/or requirements on the student to demonstrate an application to an appropriate university; or
- Potentially, operators being bolder and more proactive in questioning or even cancelling bookings that cannot be verified/confirmed.

It is important to remember that accommodation is one piece of the broader student experience provided by student bodies – high level services, amenities and staff deliver an overall value for money experience for students. Ensuring that the sector collectively relieves the anxiety that students are experiencing around availability and cost of accommodation can only add to that. Focusing on booking practices to provide representative availability throughout the cycle, as well as assessing value-for-money (as opposed to cost and amenity provision in isolation) will ensure that all students who wish to move-away to attend university can continue to do so.

In our original paper in July we pointed to six key themes for the future, all of which hold true:

A) Universities working together and with their local authorities: there are already some very positive examples of this starting to happen, for example the 'Nottingham Student Living Strategy'[4] which seeks to collaborate on additional provision as well as address consistency in quality across the city.

B) Universities partnering with the private sector: it is possible for private sector capital to be used to support universities to improve the quality and environmental credentials of their student accommodation. There is also an opportunity for universities and private investors to collaborate on finding ways to identify and develop affordable PBSA beds, with a view to creating a balanced mix of stock.

C) Reimagining the HMO market: if regulatory changes are pressuring traditional HMO landlords into other routes, there may be an opportunity for private investors or universities to consolidate HMO properties into a portfolio which offers economies of scale in operations and the potential for creating a more consistent, higher quality offering as well as a stronger community for the students.

D) Seeking alternative short-term solutions: retro-fitting other accommodation types like hotel spaces may be suboptimal but as a compromise solution, it could at least provide some additional quicker-to-market beds.

E) Access to data for decision-making: particularly for investors, the key to success will lie in selecting the right cities to invest in. Understanding market trends is paramount for investors to maximise potential as well as exploring opportunities to retrofit brownfield buildings. For universities, there is an acute need to understand the trends in their local markets better and there is data available to fill in this intelligence deficit.

F) Information for prospective students, especially international students: it is vital that they understand both the necessity of researching accommodation options while considering university and course choices and the need to lock into accommodation early. Students should also be made aware that rooms may be available to them, for example through nomination agreements, that are not explicitly available to book online and operators can be contacted directly to enquire about availability.

4 Universities working together with their local authorities

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About StudentCrowd

StudentCrowd's dataset covers the live price and availability (and a number of other factors) for 100% of the UK PBSA market (this includes every private and university property with more than 10 beds).

It makes this data available for a number of purposes:

- Help students make decisions (via StudentCrowd.com).
- To help HE organisations make decisions (via dataset/insight products).
- To help the wider HE sector (via publications – like this one!)

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